FOR RELEASE
OCTOBER 14, P. M.

The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

WASHINGTON, D. C. BAE SEPTEMBER 1949

The end of the slump in business activity and currency devaluation by foreign nations were the chief items of economic news in the last month.

Sharp increases in industrial production and employment, a rise in the general wholesale price level, increased sales in department stores, and a gain in the value of new construction started highlighted the August upturn in business activity.

Unless the work stoppages in the coal and steel industries continue, business activity in the next month or two is likely to be near recent high levels. Demand for farm products probably will stay strong for some time, though, a slight decline in the overall level of farmers' prices is likely in the next month or two. This is expected to result largely from declines in prices of corn and hogs as marketings increase.

In mid-August, the index of prices received by farmers rose 2 percent above a month earlier. With prices paid by farmers including interest and taxes falling slightly, the parity ratio was up 3 points to 104.

Devaluation by Great Britain and other foreign nations in September is not expected to have a marked effect on prices received by U. S. farmers in the near future.

Britain devalued her pound 30.5 percent and Canada her dollar 9 percent. Before devaluation, it took $4.03 to buy a pound; now it takes only $2.80. Most other devaluations were about the same percentage as Britain's.

The immediate effect of devaluation is a tendency to drive down the dollar price of a commodity being traded and to increase its price in the devalued currency. The extent to which these tendencies actually develop depend on a number of factors such as demand, supply, wages, trade restrictions, and price supporting or regulating activities.

As far as farm product prices are concerned, the effects of devaluation are not expected to be great. The devaluing countries last year took 70 percent of our agricultural exports, the most important of which were wheat, cotton and tobacco. U. S. prices of these three commodities are close to government support levels and will not fall significantly.

Most of our exports of wheat, cotton and tobacco are financed under the ECA program. This makes it unlikely that foreign takings will be reduced much in the near future.

LIVESTOCK AND MEAT The seasonal increase in demand and small cold storage holdings of meat were major factors keeping prices of meat animals firm up to mid-September. Slaughter of grain-fed cattle has been high for the season. Slaughter of grass cattle has been rising. Hog slaughter has increased faster than usual for this time of year.

Seasonal drop in hog prices this fall is not expected to be much greater than the usual 18 percent decline. This prospect is based largely on: early marketings; and slightly lower average slaughter weights.

Monthly hog support prices recently announced by USDA for October 1949-March 1950 range from a high of $16.40 for October to a low of $14.20 for December.

Only a moderate seasonal decline in prices of grain-fed cattle is expected. Prices of lower-grade cattle are not expected to change much. Prices of lambs also are expected to hold up and to stay high compared with prices of other meat animals.

DAIRY PRODUCTS Sharp price declines that hit dairy industry in closing months of 1948 are not likely to be repeated this year. Outlook is for stable prices for some items, slightly rising prices for others. However, prices of all items are expected to be below same period of 1948.

So far this year, export, storage and consumer demand for dairy products has been weaker than in same months of 1948. By mid-September, Government had purchased about 92 million dollars worth of dairy products for price support, export supply and school lunch programs.

POULTRY AND EGGS Prices to farmers for eggs in mid-September averaged 52.5 cents per dozen, 1.1 cents higher than a year earlier and 3.7 cents above August.

Poultry prices to farmers have been running sharply lower than a year ago. In September, marketings of farm produced chickens were near or at seasonal peak. Broiler marketings also were high.

Farmers' prices for turkeys have been below last year's record but above support levels.

FATS AND OILS Quantity of cottonseed, soybeans, flaxseed and peanuts from 1949 crops will be about 7 percent smaller than from 1948 crops, according to the September crop report.

Support price for 1949 crop green and yellow soybeans grading U. S. No. 2 or better and containing not more than 14 percent moisture will be $2.11 per bushel compared with $2.18 for 1948 crop beans.

FEEDS With more livestock on farms, consumption of feed concentrates in 1949-50 is likely to exceed that of 1948-49 season. However, consumption is not likely to equal this year's production. As a result, carryover of feed grains, particularly corn, at end of 1949-50 season is likely to again increase.

WHEAT Exports of wheat totaled about 68.5 million bushels for July and August compared with the unusually heavy shipments of 105 million bushels a year earlier. Recently, exports have been increasing.

FRUITS AND VEGETABLES With production a near-record and movement to processors slow, deciduous fruit prices this summer dropped to the lowest levels since 1942. Prices may not drop much more but will continue lower than in fall of 1948.

Unfavorable weather has reduced supplies of grapefruit. As a result, prices are likely to continue generally higher this fall than last. Prices of California Valencia oranges, on the other hand, probably will continue lower than last fall. Percentage of small-sized fruit in the crop is unusually high.

Production of most fresh vegetables this fall is considerably below last year. Prices for the next few months are expected to average moderately higher than in the autumn months of 1948.

Potatoes grown in the 29 late States are expected to bring farmers' prices somewhat lower than those of 1948 and above the 60 percent of parity support level. Crop in these States is about a fifth smaller than last year.

Sweetpotato prices also are expected to average above support level of 80 percent of parity. The crop is estimated at 4 percent larger than last year but 18 percent below average.

COTTON An increase in new orders from textile manufacturers and a rise in most grey cloth prices probably will result in a moderate increase in demand for cotton from domestic mills. For several months, mills have been buying cotton chiefly to meet immediate requirements. September 1 mill stocks were very low.

Exports of cotton in the first 2 months of this season have been about the same as a year earlier.

The U. S. cotton supply in prospect for 1949-50 -- a crop estimated at 14,943,000 bales, carryover of 5,283,000 bales and imports of 200,000 bales -- is about 20 million bales compared with 17.9 last season.

TOBACCO Prices for leaf tobacco from this year's crops are not expected to average as high as in 1948, though demand for cigarette tobacco is expected to continue strong.

Cigarette output this year probably will be near 395 billion, 8 billion above the record set in 1948. Consumption in 1950 is expected to continue near current levels although retail prices in States will be higher because of new or increased taxes.